Federal Circuit Bar Association Annual Conference

Albuquerque, New Mexico, June 29, 2006

"**The State of the Court**"

by

Chief Judge Paul R. Michel, Court of Appeals for the Federal Circuit

(Revised, July 10, 2006)

On behalf of the court, I thank the Association for the opportunity to report on the state of the court. First, however, I would like to note the passing of former Chief Judge Howard T. Markey, who died on May 2, 2006. As our first Chief, he got the new court off to a great start. When I visited him last November and described some of our court's more recent achievements, he exclaimed each time: "Ain't that great!" In The United States Court of Appeals for the Federal Circuit, A History -- 1982-1990, which was produced by your Association and dedicated to Howard, he was called a " . . . patriot, soldier, lawyer, and judge, whose public service and contributions to America's defense and the administration of justice set him

apart and rightly distinguish him as a man who has helped to make America great." I would add that he was loved and respected by the judges and staff at the court as of 1991, who will all miss him. On May 9, I had the honor of speaking at his funeral service in Chicago. On June 23, he was buried with the full military honors of an Air Force major general at Arlington National Cemetery. Again, I was privileged to speak on behalf of the court he helped convince the Congress to create. Donald R. Dunner of your Association gave a fine speech there as well. At the reception that followed at the Dolley Madison House, Justice Scalia delivered an eloquent tribute, as did several other notable speakers, including your own, our own, Joe Re.

CASELOAD AND WORKLOAD

Now, on to court business. I report the condition of our court is fine but we are now stressed, stressed both by the quantity and difficulty of our current cases. We have, in fact, experienced some interesting trends over recent years. I want to brief you on several of them. First, patent cases

have replaced personnel cases as the most numerous on our docket. In the mid-1990s, appeals from the Merit Systems Protection Board made up about 50% of our annual filings. Appeals from the district courts, nearly all patent infringement cases, were only about 20%. After 1995, however, the number of MSPB appeals continued to drop and has stayed relatively low in the present decade, declining even further in the last two years. Patent infringement cases, however, have climbed steadily over the last 10 years. As of May 26, we had pending 403 patent infringement cases, but only 198 MSPB cases. Patent and personnel cases, then, have switched places. We used to have twice as many personnel as patent cases. We now have twice as many patent cases.

Patent cases, of course, are among our most complex, while MSPB cases are typically less complex. Also, we feel that over the last 10 years, patent cases have become increasingly time-consuming and difficult to decide. Most involve advanced technologies of great complexity.

Not noticed yet by many observers, veterans' appeals have also increased sharply in the last few years, and now make up over 20% of our current caseload. Pending Veterans' appeals, at 356 far outnumber MSPB appeals at only 198. The net effect of these three shifts -- patents cases up, veterans' cases up, personnel cases down -- is a greatly increased workload. Although the total number of appeals filed has risen only modestly in the last few years, the amount of labor required to resolve them has increased greatly. Yet, we still have the same 12 active judges. As before, we get assistance from our senior judges, but most of the increased work must be done by the 12 active judges. Consequently, our judges are hard-pressed to stay as prepared for oral argument, decide case as quickly, and maintain the same quality of opinions as in the past.

Our rising workload presents a particular challenge when, as now, there is a vacancy on the court. As you know, on February 1st of this year, Judge Clevenger assumed senior status. Thus, at present, we have only 11

active judges. In May, the President nominated as a replacement, Professor Kimberly Moore. Her confirmation hearing was June 28, 2006. Results look favorable for early confirmation. Probably, she will arrive by fall, perhaps even sooner. Although our four senior judges assist considerably, it is still difficult for us to stay current. Although faster than nearly all other circuit courts, our average disposition time has been slipping in the last year. We now have 132 more appeals pending than a year ago. Filings went up 118 and dispositions down 182. Each month we have had more fully-briefed appeals than we could calendar for the next argument week.

COUNTER-MEASURES

What to do? First, the situation underscores the importance of making the court's voluntary mediation program more productive. Since October 1, only four cases settled through this program; eight remain in mediation. Several hundred were screened and counsel encouraged to enter the program. Only 20 did, 8 later withdrawing. As a voluntary program, it has

not worked well enough. Many of us feel the program should be made mandatory as all but one of the 12 other circuits' mediation programs is. Our situation also raises the question of whether we need to invite outside judges to sit with us, as other busy circuit courts routinely do. We plan to do so, starting with September court week when Judge T.S. Ellis of the Eastern District of Virginia will join us for two days.

Some day, we may need a fourth law clerk for each judge, as most other circuits have.

IMMIGRATION JURISDICTION

Despite our workload challenges, Congress regularly considers conferring new jurisdiction over large numbers of cases. It attempted to do so last year with asbestos cases and more recently with 13,000 immigration appeals. I wish to acknowledge the timely intervention of the Federal Circuit Bar Association, led by Kevin Casey, in opposing the original immigration

bill. It was revised to delete this provision. We depend on such help, as we cannot lobby Congress ourselves. The threat has subsided, at least for now.

SUPREME COURT AND EN BANC CASES

The Supreme Court has lately shown a huge increase of interest in Federal Circuit cases, particularly patent infringement cases.

On May 15, the Court decided Ebay v. Merckexchange. We had stated that, "[b]ecause the 'right to exclude . . . is but the essence of the concept of property,' the general rule is that a permanent injunction will issue once infringement and invalidity have been adjudged . . . . absent exceptional circumstances." The Supreme Court vacated our decision, holding that the traditional four-factor test for granting injunctive relief always applies. The Court remanded so that the district court could apply that test. On further appeal, we may have an opportunity to provide more structure and predictability, as the Supreme Court opinion was somewhat vague and provided only limited guidance.

And on February 21, the Court granted certiorari in Medimmune v. Genentech. In Medimmune, we held that a patent licensee who continues to pay royalties, and is otherwise in full compliance with the terms of the license, cannot be seen as under "reasonable apprehension" of suit and, therefore, lacks standing to bring a declaratory judgment action. Argument will be held in the fall.

Several other cases await a decision on whether certiorari will be granted. For example, in AT&T Corp. v. Microsoft Corp., a petition for certiorari was filed on February 17. Although the Court has not yet decided whether to grant the petition, on April 24, the Court invited the Solicitor General to submit a brief on behalf of the federal government.

AT&T involves 35 U.S.C. § 271(f), which creates patent infringement liability for the unauthorized supply from the U.S. of components of patented inventions in certain circumstances. The AT&T panel, with one judge dissenting, held that section 271(f) is not limited to normal structural or

physical components, and thus software may be a "component" of a patented invention. The court then held that software replicated abroad from a master disc exported from the U.S. – with the intent that it be replicated – may be "supplied" from the U.S. for the purposes of § 271(f).

Certiorari was granted on June 26 in Teleflex Inc. v KSR with argument next term. This case concerns the motivation test created by the Federal Circuit to assist in analysis of obviousness in patentability and validity challenges.

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As for our en banc cases, we must still decide Kirkendall v. Department of the Army, which involves a disabled veteran's claims of employment discrimination and violation of his statutory disabled veteran's preference employment rights with the Government. We will consider whether, under the Veterans Employment Opportunities Act of 1998, the time periods for filing claims and for appealing them to the MSPB may be

equitably tolled. We will also consider whether all veterans who non-frivolously allege a violation of the Uniformed Services Employment and Reemployment Rights Act are entitled to an evidentiary hearing at the MSPB. Argument will be held in the fall. Significantly, the veteran is being represented pro bono by former Solicitor General Theodore Olson, at the request of the court in a new program for appointing counsel in pro se cases. Several firms have responded generously to our informal requests. We may need more volunteers to assist, pro bono, in the future and will look to many of you here today.

COURTROOM RENOVATION

Oral argument in Kirkendall will, of course, be held in the recently-renovated main ceremonial courtroom, 201. In July, we expect renovation to begin in Courtroom 402. We are aiming for a traditional appearance similar to that of the main courtroom, and will incorporate the same state-of-the-art technology, such as computer hook-ups for counsel, judges and

law clerks. Videoconferencing equipment also will be installed to enable judges to hear oral arguments with counsel in other cities. Seating capacity will be doubled, and the room will be made ADA-compliant for both counsel and spectators. We expect the renovation of 402 to take up to 12 months. When 402 is finished, we hope to begin updating courtroom 203, but less extensively.

Already, we are digitally recording the audio portion of oral arguments in all of our courtrooms. Within hours, the arguments are made available in MP3 format on the court's website. It has proven to be very popular. Over fifty thousand "hits" have been recorded since we began a few months ago. Further IT enhancements are in store, including mandatory e-filing of all briefs and appendices which will be posted them on our website. By the end of 2006, we hope to have this system in place with supporting changes in the Federal Circuit Rules.

OUT-OF-TOWN SITTINGS

As in recent years, we continue to travel annually to at least one other city to hear oral arguments. In November 2005, seven judges held hearings at four Chicago law schools. One session was also held at the U.S. District Court for the Northern District of Illinois. The Federal Circuit Bar Association assisted greatly, organizing a fine CLE program and a grand reception.

In October, we will sit in Charlottesville and Richmond, where we plan to hear arguments at the law schools of the University of Virginia and the University of Richmond, and at the historic Court of Appeals for the Fourth Circuit. I understand the Association may organize a Continuing Legal Education program at UVA on October 3, the day of our afternoon hearings there. Also, a grand dinner is planned that evening in the dome room of the University's historic Rotunda, sponsored by the University and the Federal Circuit Bar Association. In Richmond the next day, we will enjoy a luncheon

with local IP and other practitioners, again organized with the aid of the Association. We are grateful for the Bar Association's assistance.

I would also like to express my appreciation to the sixteen members of the Federal Circuit Advisory Council, most of whom are also members of your Association. I thank them for all their hard work and service, particularly co-chairs Scott McCaleb and Mike Schaengold, who respectively also served on your Board of Directors and Chair of one of your committees. I also thank the 12 pro bono mediators assisting our court. Several are here today. The bios of these experienced attorneys are posted on our website. We hope you will utilize their free services. Any of you soon leaving active practice might consider serving as mediators. We need more experienced litigators as mediators. We also need more responses from the bar. Please promptly answer calls from our mediation officer, and duly consider availing yourselves of the free sources of these trained mediators.

Finally, I thank the Federal Circuit Bar Association for the opportunity to be here, to address you and for our judges to exchange views with your members to improve the work of the court. As always, our goal is the fair, efficient administration of justice. I look forward to the exchange here in New Mexico and encourage members to write me with ideas on how to improve court operations and any problems you observe.

Thank you.